

TEWKESBURY BOROUGH COUNCIL

**Minutes of a Meeting of the Audit Committee held at the Council Offices,
Gloucester Road, Tewkesbury on Wednesday, 24 June 2015
commencing at 2:00 pm**

Present:

Chairman

Councillor R Furolo

and Councillors:

K J Cromwell, A J Evans, Mrs P A Godwin, Mrs S E Hillier-Richardson, T A Spencer (Substitute for B C J Hesketh) and R J E Vines (Substitute for Mrs H C McLain)

AUD.3 ANNOUNCEMENTS

- 3.1 The evacuation procedure, as noted on the Agenda, was advised to those present.
- 3.2 The Chairman welcomed Alex Walling, Engagement Lead from Grant Thornton, and David Johnson, Audit Manager for Tewkesbury Borough Council from Grant Thornton, to the meeting.

AUD.4 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

- 4.1 Apologies for absence were received from Councillors B C J Hesketh and Mrs H C McLain (Vice-Chairman). Councillors T A Spencer and R J E Vines would be acting as substitutes for the meeting.

AUD.5 DECLARATIONS OF INTEREST

- 5.1 The Committee's attention was drawn to the Tewkesbury Borough Council Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.
- 5.2 The following declaration was made:

Councillor	Application No./Item	Nature of Interest (where disclosed)	Declared Action in respect of Disclosure
T A Spencer	General Declaration.	Had previously had dealings with Grant Thornton at another local authority.	Would speak and vote.

- 5.3 No further declarations were made on this occasion.

AUD.6 MINUTES

- 6.1 The Minutes of the meeting held on 18 March and 26 May 2015, copies of which had been circulated, were approved as correct records and signed by the Chairman.

AUD.7 GRANT THORNTON PROGRESS REPORT

- 7.1 Attention was drawn to Grant Thornton's progress report, circulated at Pages No. 11-23, which set out the progress that had been made in relation to the Audit Plan, together with any emerging national issues and developments that might be relevant to the Borough Council. Members were asked to consider the report.
- 7.2 Members were informed that the Accounts Audit Plan 2014/15 was complete and would be presented to the Committee under the next Agenda Item. The interim accounts audit had also been completed and the findings would be reflected in the Audit Plan. The 2014/15 final accounts audit would commence in August in order to present to the Committee at its meeting in September. In terms of the value for money work, Members were advised that Grant Thornton carried out an assessment to ensure that the Council had proper arrangements in place for securing financial resilience and challenging how it secured economy, efficiency and effectiveness. Grant Thornton would present its value for money conclusion to the Committee in September.
- 7.3 With regard to emerging issues and developments, particular attention was drawn to Page No. 21 which related to provision for business rates appeals. It was felt that this may be of interest to Members given Tewkesbury Borough Council's experience with Virgin Media and the costs associated with that revaluation. In addition, Members were reminded that legislation had recently been passed to bring forward the deadlines for the preparation and audit of Local Government financial statements and an update was provided at Page No. 22 of the report. The current statutory deadline for the preparation of financial statements was 30 June with the deadline for audit completion on 30 September. These deadlines would be brought forward to 31 May and 31 July respectively from 2018 and assurance was provided that good progress was being made towards meeting those targets.
- 7.4 A Member drew attention to the challenge question at the bottom of Page No. 19, "Have members been briefed on the key findings of the Independent Commissioner's final report?" The Finance and Asset Management Group Manager advised that a seminar on devolution, and the associated issues, had been arranged for all Members on Tuesday 30 June 2015 at 5.00pm. It was

RESOLVED That the Grant Thornton progress report be **NOTED**.

AUD.8 GRANT THORNTON ACCOUNTS AUDIT PLAN 2014/15

- 8.1 Attention was drawn to the Grant Thornton Accounts Audit Plan 2014/15, circulated at Pages No. 24-38, which set out the Audit Plan for the year ended 31 March 2015. Members were asked to consider the information provided.
- 8.2 The report outlined the challenges and opportunities which the Council was facing. The common themes which had been identified were business rates; the provision of shared services through One Legal; and, outsourcing of waste collection to Ubico. In planning the audit, Grant Thornton had also considered the impact of key developments in the sector and taken account of national audit requirements, as set out in the Code of Audit Practice and associated guidance. The audit approach was shown in the form of a diagram at Page No. 29 of the report. Page No. 30 gave an overview of the controls and processes which Grant Thornton proposed should be undertaken in order to address the significant risks identified. With regard to the risk

of management over-ride of controls, early testing had been carried out for journal entries to the end of February. In terms of further work, testing of journal entries for period 12 was planned but that would be a quicker audit. Two other risks had been identified in respect of operating expenses and employee remuneration and work had been carried out in those areas to gain assurance over the figures which would be included in the Statement of Accounts. In relation to value for money, the outcomes from the previous year would be reviewed and any new risks would be identified. The findings from the interim audit work were set out at Pages No. 33-34 of the report and Members were advised that no issues had been identified. Any issues with individual transactions would be carried forward to the audit of the financial statements and reported in the audit findings report in September. The report also set out the key dates in the audit cycle and the fees for the work which were based on the Audit Commission contract and decreased year on year.

8.3 A Member sought clarification as to why employee remuneration had been identified as a risk. The Audit Manager from Grant Thornton explained that no judgements were being made, however, part of the process was to identify areas in the Statement of Accounts which were considered to be at higher risk of error or material misstatement. They tended to be larger value, larger volume areas. The report set out the particular areas within the risk which Grant Thornton would look at and how they would be addressed in order to gain assurance that they would be fairly stated within the Statement of Accounts.

8.4 It was

RESOLVED That the Grant Thornton Accounts Audit Plan 2014/15 be
NOTED.

AUD.9 GRANT THORNTON FEES LETTER 2015/16

9.1 Attention was drawn to Grant Thornton's fee letter, circulated at Pages No. 39-42, which set out the proposed fee, together with the scope and timing of the work for 2015/16. Members were asked to consider the fee letter.

9.2 The Engagement Lead from Grant Thornton explained that the actual audit fee was set by the Audit Commission and was reduced by 25% year on year following a recent procurement exercise. In terms of work carried out, the fee included: audit planning and interim audit; final audit of the financial statements; value for money conclusion; and the whole government accounts return. There was only one grant certification, which related to housing benefit, and the indicative grant certification fee had been set at £9,110. The scale fee for 2015/16 was £44,921 and the outline timetable for the work was set out at Pages No. 40-41 of the report. The key Members of the audit team for 2015/16 would remain unchanged.

9.3 A Member indicated that the Grant Thornton Accounts Audit Plan 2014/15, which had been considered under the previous Agenda Item, had stated that the total fee was £72,595, however, the billing schedule included in the Fees Letter set out that the total fee would be £54,031 and he questioned why there was a reduction in the saving being made. The Engagement Lead from Grant Thornton advised that the bulk of the reduction was due to the 25% year on year decrease introduced by the Audit Commission; however, the certification fee for the two years was also slightly different.

9.4 It was

RESOLVED That the Grant Thornton Fees Letter 2015/16 be **NOTED.**

AUD.10 CRITICAL JUDGEMENTS AND ASSUMPTIONS MADE DURING THE PREPARATION OF THE STATEMENT OF ACCOUNTS

- 10.1 The report of the Finance and Asset Management Group Manager, circulated at Pages No. 43-48, set out the critical accounting judgements and key sources of estimation uncertainty that would be used in preparing the 2014/15 accounts. Members were asked to approve the judgements and to note the key sources of estimation uncertainty.
- 10.2 The Finance Manager explained that the Audit Committee had approved the accounting policies to be used during the 2014/15 closedown at the meeting in March 2015. In applying the Council's accounting policies, certain judgements had to be made about complex transactions, or those involving uncertainty about future events, and it was considered that it would be beneficial for Members to know what assumptions were made during the preparation of the accounts which the Committee would be asked to approve in September. The judgements were set out at Appendix A of the report and would be included as a note in the Statement of Accounts. Members were advised that there was a high degree of uncertainty about future levels of funding for local government and an assumption had been made that it would remain an ongoing concern in the future. It had been deemed that the Council had control of the Swimming Bath Trust on the basis that it had the right to appoint the majority of representatives to the board and, as the management agent, it had control over the financial and operating policies of the pool. However, as the site had been revalued to nil as part of the work around the delivery of a new leisure centre, a decision had been taken not to prepare group accounts on the basis of immateriality. The Finance Manager went on to explain that the Council's former insurers, Municipal Mutual Insurance Limited, had ceased to trade in 1992 and the Council had become a party to the scheme of administration for outstanding liabilities at that time. The directors had triggered the scheme of arrangement which meant that the Council was subject to a maximum liability of £159,699. An initial rate of £23,954 had been suggested to achieve a solvent run off and that had been paid over in January 2014; however, an additional 10% had been included in the long term provisions in case more money was required. The level of business rate appeals under the business rate retention scheme had been calculated using historic appeals information. The ones which were outstanding where statistical information was available relating to the outcome of past appeals had been calculated using the average success rate and rateable value loss. The appeals relating to Virgin Media had been treated separately as they were unique cases. The hearing relating to the 2005 assessment had resulted in a reduction in rateable value of 40% and that had been used as the basis for establishing a provision for the outstanding 2010 Virgin Media appeals. Members were advised that IAS 19 disclosures included information on the assets which made up the Local Government Pension Scheme for the Council. Rather than including the full list, a decision had been taken to summarise the categories that the Pension Fund had invested in.
- 10.3 The Finance Manager advised that the Statement of Accounts contained estimated figures taking into account historical experience, current trends and other relevant factors. The items in the Authority's Balance Sheet as at 31 March 2015, for which there was a significant risk of material adjustment in the forthcoming financial year, were set out at Appendix B to the report, however, Members were informed that the version attached to the Committee report was incorrect and an updated version was circulated around the table for information. With regard to Property, Plant and Equipment, Members noted that the current economic climate made it uncertain that the Council would be able to sustain its current spending on repairs and maintenance which called into question the useful life of assets and, as such, the depreciation charge could be inaccurate. Business rates were a major source of

estimation and uncertainty and the provision for the current year was £3.8M for the Council's share, a significant increase from £1.1M the previous year. It was likely that some appeals would be settled differently to anticipated which could increase costs for the Council. In terms of arrears, the Council had a balance on doubtful debts of £737,289, of which £722,211 related to a general provision. Housing benefit general provision had increased from 45% to 60% due to the levels of debts increasing, increased pressure on benefits and the future introduction of Universal Credit. Pension liabilities were included by the actuaries as part of their work and was based on a number of estimates including the discount rate used, the rate at which salaries were projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The actuaries carried out an analysis to work out the impact of those assumptions, based on the figures in the accounts. A Member queried whether there was a specific reason for the debts of over £5,000 set out in the arrears section and whether this was unusual. The Finance Manager explained that this related to housing benefit debt which had been outstanding for a long period of time, for instance, when people failed to notify of a change in circumstances. The Council was active in attempting to recover this money but it was not always a straight forward process; some people paid back their debts at a low rate which meant that it took some time for the overall amount owed to be reduced.

10.4 Having considered the information provided, it was

RESOLVED That the critical accounting judgements that would be used in completing the 2014/15 annual accounts be **APPROVED** and the key sources of estimation uncertainty be **NOTED**.

AUD.11 INTERNAL AUDIT PLAN MONITORING REPORT

11.1 The report of the Corporate Services Group Manager, circulated at Pages No. 49-88, was the final monitoring report of the financial year and summarised the remaining work undertaken by the Internal Audit team during 2014/15. Members were asked to consider the audit work completed and the assurance given on the adequacy of internal controls operating in the systems audited.

11.2 Members were advised that full details of the work undertaken were attached at Appendix 1 to the report and a list of audits within the 2014/15 Audit Plan and their progress to date could be found at Appendix 2 to the report. The Corporate Services Group Manager confirmed that all audit work had been completed, with the exception of the audit of Individual Electoral Registration (IER), which translated to a 92.31% completion of the original plan with 24 out of 26 audits completed; it was noted that one audit had been completed after 31 March 2015. Days had been allocated within the 2015/16 Audit Plan, following the elections, to carry out the work around IER. Members were advised that two additional internal audits had been undertaken during the year in respect of business flood grants and Repair and Renew grants and that those were in addition to the Tewkesbury Town Council audit. For the period being reported, all audit opinions had been given either a 'good' or 'satisfactory' level of control with the exception of health and safety (risk assessments), which had a 'limited' audit opinion, and ICT asset inventory, which had an 'unsatisfactory' audit opinion. In terms of health and safety, there had previously been no formal reporting mechanism to Council apart from the 'Keep Healthy, Stay Safe' Group. As health and safety was an important part of the governance framework, the Council's Environmental Safety Officer had been seconded to the Internal Audit team to undertake health and safety audits which would be reported to the Committee. The first of those audits had been completed in the reporting period and the opinion could be found at Appendix 1 to the report. The Corporate Services Group Manager was pleased to advise that no incidents of fraud, corruption, theft or whistleblowing had been reported during the period. As previously reported to the Audit Committee, the Internal Audit team had

been commissioned by Tewkesbury Town Council to undertake its internal audit. An interim audit report had previously been issued and the formal year end audit was due to be taken to the Town Council meeting the following week.

- 11.3 With regard to the audits which had been completed during the period, Members were advised that a good level of control had been identified within payroll in terms of the accuracy of information and salary adjustment notifications and there was a good reconciliation process and verification of employees. It had been concluded that the Council had satisfactory risk management arrangements on the basis that there was an approved Risk Management Strategy in place, which was due for renewal during 2015/16; the Corporate Risk Register was presented to the Audit Committee; and risk management was a standard item on the monthly Corporate Leadership Team Agenda and formed part of the Corporate Governance Group Agenda which had Lead Member representation. It was recognised that further training would be needed following the review of the Risk Management Strategy. Members were informed that an audit of the Council's Personal and Professional Development (PPD) employee appraisal scheme had been undertaken. Following the first year of implementation of the PPD procedure in early 2014, there was satisfactory assurance that the procedure had been rolled out across the organisation with the exception of the Grounds Maintenance team which had now migrated to Ubico. The PPD forms had been completed well, however, 50% of staff tested had not received training which was something that the Human Resources team was working on for the next round. With regard to the delivery of the training requested via PPDs, it was found that it had been provided. One of the main outcomes of the process was the identification of corporate training. It was a significant task to embed a new appraisal scheme within the organisation and it was considered that it would be further enhanced during the forthcoming year. A Member queried whether there was a timeframe for PPD training and the Corporate Services Group Manager undertook to seek a response from the Human Resources team and report back following the meeting. Another Member noted that the Grounds Maintenance team had not received PPDs and, whilst he understood that they had transferred to Ubico, he questioned whether contractors were audited by the Council. Assurance was provided that a number of days had been set aside in the 2015/16 Audit Plan to look at the Ubico contract and, in addition, the Overview and Scrutiny Committee had requested that an interim report be provided on Ubico at the six month stage.
- 11.4 Members were informed that an unsatisfactory opinion had been issued in regard to the ICT – Asset Inventory audit as the asset register was not currently fit for purpose. There were no documented procedures to manage the process from when an item of computer equipment was purchased through to when it was disposed of. There was a question over the separation of duties within the team; items which had been transferred to different members of staff were often deemed to be 'lost' as they had not been recorded correctly over time; and there were no regular checks of hardware. The Corporate Services Group Manager indicated that he was responsible for IT as part of his new role and he had started a process between Audit and IT in order to put a procedure in place. A Member felt that this was very worrying and she requested that a progress report be provided. The Corporate Services Group Manager confirmed that a formal report would be brought to the September meeting of the Audit Committee.
- 11.5 It was noted that a limited opinion had been issued in respect of the Health and Safety – Risk Assessments audit. Each service was required to undertake a risk assessment to identify key hazards, however, a number of services had only been prompted to complete a risk assessment by the undertaking of the audit review, rather than it being completed as part of normal business. A number of areas had been identified as requiring particular attention including Grounds Maintenance, where risk assessments had not been reviewed since 2011; Economic and Community Development, where there were risk gaps in relation to some activities

which involved remote locations and lone working; and Asset Management, where there were gaps in the identification of key hazards, in particular asbestos and legionella. The Environmental Safety Officer explained that the Risk Assessment Policy had been reviewed at the time of the audit, having last been reviewed in 2012. Risk assessments were not being seen as corporate business and training would be provided in September in order to address that issue. It was planned to prompt each service to review their risk assessment every six months.

11.6

In terms of the main areas of concern, the Environmental Safety Officer explained that Grounds Maintenance had transferred to Ubico in April and the Council was working in partnership with them to ensure that the risk assessments were completed. There had been a lot of progress in respect of Economic and Community Development since the time of the audit and she was pleased to report that all issues had now been addressed and the risk assessments were up to date. In terms of Asset Management, an asbestos management plan had now been put in place. There were 26 properties owned by Tewkesbury Borough Council, 10 of which had been found to contain asbestos, although all were relatively low risk. Arrangements were now in place to inspect the properties and training would be provided for staff carrying out the inspections. A Member indicated that she had always understood that asbestos must always be dealt with by a specialist company and the Environmental Safety Officer explained that asbestos surveys had already been undertaken and the risks and controls required had been identified. Whilst asbestos removal had to be carried out by qualified individuals, the Council's inspectors would be identifying and monitoring asbestos for which full training would be provided. A Member raised concern that the Grounds Maintenance risk assessments had not been reviewed since 2011 and he sought assurance that a regime would be put in place for them to be regularly updated. The Environmental and Housing Services Group Manager explained that part of the specification for the Ubico contract was the monitoring of health and safety which would be carried out by the Joint Waste Team, with any issues picked up during their regular meetings. She advised that the risk assessments were considered by the 'Keep Safe, Stay Healthy' Group so Officers would be able to ensure that they were completed as required. A Member queried who would be accountable if there was an accident and the Environmental and Housing Services Group Manager confirmed that Ubico was ultimately responsible for any accidents which had to be immediately reported to the Council. The Member sought clarification as to when the Risk Assessment Policy would next be reviewed and the Environmental and Housing Services Group Manager confirmed that she had carried out a review at the time of the audit, earlier in 2015. The Member went on to question whether there was any Member involvement and was assured that there was ongoing policy review by the 'Keep Safe, Stay Healthy' Group which included Councillor Mrs E J MacTiernan as Lead Member for Organisational Development, which covered health and safety. A Member noted that the 'Keep Safe, Stay Healthy' Group reviewed the risk assessments every three months and he questioned whether that should be more frequent. The Environmental and Housing Services Group Manager advised that there was not enough information to share on a monthly basis so she would not recommend more regular review. The Environmental Safety Officer went on to explain that the legionella plan had been designed by the Property team and the work would be completed by the end of July; a water company was employed to monitor legionella within the Council-owned premises and there were no major concerns. In terms of electrical and fire hazards, electrical installation certificates were available for the majority of Council-owned properties and portable appliance testing was also carried out. This would be properly documented in a plan by the end of July. The audit had identified a requirement for further training of Group Managers, and staff for them to delegate to, and that had been arranged for 16 September 2015. When updating assessments, version control needed to be improved so that the previous assessment was not overwritten in order for changes to be identified and

consideration was being given to keeping all documents on the public drive. The Corporate Services Group Manager confirmed that, given the limited audit opinion, a full report would be brought to the next meeting of the Audit Committee.

- 11.7 In terms of the homelessness audit, a satisfactory level of assurance had been identified. Applications were determined in the correct manner and rental charges paid by the Council were accurate, however, a recommendation had been made that call-off contracts should be entered into with each bed and breakfast establishment and assurance sought on a regular basis as to the continuous suitability of the accommodation for the homeless applicant. When items were being stored, the cost was only being paid whilst the homeless application was being assessed and where an unintentional homeless determination had been accepted. The procurement of storage did need to be reviewed in order to demonstrate best value with consideration to be given to obtaining assurance that items being stored were for personal property only and ensuring that the formula for calculating storage charges was stated.
- 11.8 There was a satisfactory level of assurance in the housing benefits audit with information being accurately entered into the Northgate system. A checking regime had been implemented and any new claims entered were checked by a Team Leader. The previous checking regime for April-October 2014 was not currently complete as two new claims and three changes of circumstances had not been checked for each day of processing. This was acknowledged as an issue by the Operational Manager and it was intended to have the appropriate number of claims checked by the end of June 2015. Grant Thornton had reported on the housing benefit claim at the last meeting of the Committee and had been positive in the accuracy of the claim and there was regular conciliation between benefits and Council Tax. The audit opinion for the recycling audit was also satisfactory and Members were advised that a contract for the disposal of kerbside recycling waste had been established. Key performance data was provided to the Council in accordance with the terms of the contract and there was reasonable assurance that the waste claimed for recycling was from domestic households and credit tonnages claimed had been fairly stated. Invoices for tonnages were raised correctly and at the appropriate charge rate. At the time of the audit there was no evidence to demonstrate that waste at its end destination point was being recycled, however, verbal assurance had been provided that such evidence was to be collected through the Joint Waste Team contract monitoring process. A Member indicated that she had been made aware that some recyclate was shipped abroad but there were no details about what happened to it beyond that point and no way of knowing if it was actually being recycled. The Corporate Services Group Manager confirmed that the audit had identified that some recyclate was shipped abroad and the risk was that, without an audit trail to show what had happened once the material had been collected, Gloucestershire County Council could withhold credits. A Member sought clarification as to what would be accepted by the County Council as evidence and was advised that discussions would need to take place with the Environmental and Housing Services Group Manager and the Joint Waste Committee to establish what could be put in place. The Performance and Audit Officer explained that part of the problem was what was on the environmental permit issued by Defra. The issue about where the recyclate went after it had been collected had been acknowledged by the Government and it was something which needed to be identified and included in the permit scheme which was not likely to be a quick fix. Members would be provided with further information on the way forward as and when it was available.

11.9 Appendix 3 to the report contained a summary of all audit recommendations and their status. Members were informed that all of the recommendations around licensing and changing of information had been implemented. The recommendations in respect of the arrangements for the storage of personal belongings for individuals identified as homeless had not yet been implemented. Work had been carried out in relation to the recommendations around tree inspections and the audit opinion would be brought to the Committee in September. In terms of the limited opinion in respect of safeguarding children, a formal report would be brought to a future meeting of the Committee. He explained that this had stemmed from the appointment of the Housing Services Manager, whose role included acting as Deputy Safeguarding Officer, and there was quite a lot of ongoing work in respect of those actions. With regard to the recommendations around Repair and Renew grants, £400,000 of grant payments required formal audit sign-off and would be brought to the September meeting of the Committee. Members were informed that the Council's Financial Procedure Rules had been updated, however, approval of the changes could not take place until the review of the Constitution had been completed in March 2016, as identified in the Annual Governance Statement.

11.10 Having considered the information provided, it was

RESOLVED That the Internal Audit Plan Monitoring Report be **NOTED**.

AUD.12 INTERNAL AUDIT ANNUAL REPORT 2014/15

12.1 Attention was drawn to the report of the Corporate Services Group Manager, circulated at Pages No. 89-94, which provided Members with a summary of the internal audit work undertaken for the financial year 1 April 2014 to 31 March 2015, together with an opinion on the overall adequacy and effectiveness of the organisation's control environment. Members were asked to consider the report and the assurance that, overall, there was a satisfactory level of assurance in relation to the effectiveness of the Council's framework of governance, risk management and control.

12.2 Members were advised that the annual audit plan was compiled using a risk-based approach and was informed by governance issues and work relevant to the production of the Annual Governance Statement; work on fundamental financial systems; work of a service-based nature; corporate improvement work; follow-up work; and consultancy and advice. This approach resulted in a comprehensive range of audits that were undertaken over the course of the year to support the overall opinion on the control environment. In compliance with the Public Sector Internal Audit Standards (PSIAS), regular monitoring reports of internal audit activity were presented to the Audit Committee on a quarterly basis. A list of the audit work undertaken in the year was set out at Page No. 91, Paragraph 2.2 of the report. There was one audit outstanding from the 2014/15 Plan in relation to electoral registration, as had been reported earlier in the meeting, and this work would be accommodated within the 2015/16 Plan. As well as internal work, the team also provided an internal audit to Tewkesbury Town Council. This arrangement had commenced part way through 2014/15 and days had been formally allocated within the 2015/16 Plan to carry out that work on an ongoing basis. In addition, the Internal Audit team also undertook a variety of corporate improvement work initiatives. The Audit Plan contained an allocation of days for that type of work and the Corporate Management Team could request that the Internal Audit team assist with areas of work which needed to be moved forward, for example, the Revenues and Benefits improvement programme; work around the Local Government Transparency Code; setting up the Repair and Renew grants; the 'Selling to the Council' guide; and setting up the methodology for the health and safety audit. The team was also represented on key corporate groups such as the Corporate

Governance Group and the 'Keep Safe, Stay Healthy' Group.

- 12.3 Members were advised that 49 audit opinions had been given during the year, as set out at Page No. 92, Paragraph 3.2. There were two limited opinions and one unsatisfactory opinion issued throughout the year relating to safeguarding, risk assessments and ICT asset inventory respectively. The Corporate Services Group Manager explained that Officers worked in a complex environment with a number of schemes, policies and procedures which meant that there would always be areas where assurance was limited or unsatisfactory; the important part was recognising those areas and taking action to make improvements. Management of internal audit was overseen by the Corporate Services Group Manager and delivery of the Audit Plan was carried out by two full-time employees. One employee was currently on maternity leave and the position had been covered during the year through a combination of an Internal Audit contractor and a secondment from another service area. During 2015/16, consideration would be given to the independence of managing the Internal Audit team given the Group Manager's wider remit of Corporate Services.
- 12.4 The performance monitoring information for achievement against the Audit Plan was based on the number of completed audits vs. the number of planned audits and Members were advised that the outturn for the 12 month period was 92.31%. A client survey was issued at the end of each audit which had confirmed that there was a 'good' level of client satisfaction. The team had not started work on the 2015/16 Audit Plan which had been agreed at the March Committee meeting and included the complaints framework; tree inspections; key finance systems; economic development; leisure centre; Cascades; Disabled Facilities Grants; and Ubico. In terms of corporate improvement work, potential activities identified included: review of the Council's fraud arrangements; ICT asset register; Revenues and Benefits policies; and the Customer Services improvement programme. Based upon the work undertaken during the year, Internal Audit could provide reasonable assurance that, overall, there was generally a satisfactory level of control in relation to the effectiveness of the Council's governance, risk management and control environment.
- 12.5 It was
RESOLVED That the internal audit annual report be **NOTED**.

AUD.13 CORPORATE RISK REGISTER

- 13.1 The report of the Corporate Services Group Manager, circulated at Pages No. 95-103, attached the corporate risk register which had been reintroduced in 2014. Members were asked to consider the corporate risk register and the risks contained within it.
- 13.2 Members were advised that the corporate risk register was reported through the performance management framework which was reviewed by the Overview and Scrutiny Committee. The reporting of the register had been discussed by the Corporate Governance Group where it was agreed that the Audit Committee was the most appropriate Committee to review the register given that its Terms of Reference included the responsibility to monitor the effective development and operation of risk management.
- 13.3 The register had first been reported to the Audit Committee at its meeting on 9 September 2015 and, therefore, this was the third update. The Council's overall risk management arrangements were overseen by the Corporate Governance Group and the register, attached at Appendix 1, was a corporate document which had been endorsed by the Corporate Leadership Team. Members were informed that a number of risks were unchanged from those reported at the March Committee. With regard to the risk around economic development, the Corporate

Services Group Manager advised that an Overview and Scrutiny Committee Working Group had been established to develop a new Economic Development and Tourism Strategy. In terms of the delivery of operational services, the original risk had related to the transfer of services to Ubico which had now taken place; as such, it would now be necessary to monitor the governance arrangements. With regard to Individual Electoral Registration (IER), the risk was to be removed from the register as a result of the recent elections being successfully managed. Although there had been issues during the process, they had been mitigated and the register was accurate.

13.4 It was

RESOLVED That the information within the Corporate Risk Register be **NOTED**.

AUD.14 ANNUAL GOVERNANCE STATEMENT 2014/15

14.1 The report of the Corporate Governance Group, circulated at Pages No. 104-124, set out the Council's Annual Governance Statement 2014/15, which Members were asked to approve.

14.2 In introducing the report, the Borough Solicitor explained that the Annual Governance Statement was included alongside the Council's Statement of Accounts which was due to be approved by the Audit Committee in September 2015. It provided assurance that the Council was following the code of corporate governance that it had approved and adopted, which was consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The Annual Governance Statement for 2014/15 was attached at Appendix 1 to the report and included four significant governance issues which would address the need for improvements that had been identified. These significant governance issues would be monitored throughout the year and the progress would be reported to the Audit Committee. The significant governance issues identified were: embedding of budget understanding/development ownership with a focus on training; business continuity, which had been carried forward from the previous year and would test the arrangements in place; Constitution update, which would involve a full review, including the Scheme of Delegation; and the development and implementation of a corporate Workforce Development Strategy.

14.3 It was

RESOLVED That the Annual Governance Statement 2014/15 be **APPROVED**.

The meeting closed at 3:30 pm